

LAW OFFICES
BLOOSTON, MORDKOFKY, DICKENS, DUFFY & PRENDERGAST, LLP
2120 L STREET, NW, SUITE 300
WASHINGTON, DC 20037

HAROLD MORDKOFKY
BENJAMIN H. DICKENS, JR.
JOHN A. PRENDERGAST
GERARD J. DUFFY
RICHARD D. RUBINO
MARY J. SISK
D. CARY MITCHELL
SALVATORE TAILLEFER, JR.

(202) 659-0830
FACSIMILE: (202) 828-5568

AFFILIATED SOUTH AMERICAN OFFICES
ESTUDIO JAUREGUI & ASSOCIATES
BUENOS AIRES, ARGENTINA

April 3, 2015

EUGENE MALISZEWSKYJ
ENGINEERING CONSULTANT

ARTHUR BLOOSTON
1914 – 1999

WRITER'S CONTACT INFORMATION

(202) 828-5528
gjd@bloostonlaw.com

FILED VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: WC Docket No. 10-90

Dear Ms. Dortch:

On Wednesday, April 1, 2015, Ron Siegel of Allband Communications Cooperative ("Allband"), and Tim Morrissey and Gerry Duffy representing Fred Williamson and Associates met with Suzanne Yelen, Joseph Sorresso and Ryan Palmer of the Wireline Competition Bureau to discuss Allband's pending December 31, 2014 petition for further waiver of the \$250 per line per month cap on high-cost universal service support in Section 54.302 of the Commission's Rules.

Mr. Siegel emphasized that Allband is a non-profit telephone cooperative that is the only entity that has ever been willing to serve the Robbs Creek exchange, a heavily forested rural area comprising parts of four counties (Alcona, Alpena, Montmorency and Oscoda) in northeast Lower Michigan. Before Allband commenced service in 2006, no wireline carrier had ever served the area, and cellular service was and remains unavailable or unreliable throughout most of the 177-square mile exchange. Allband continues to be the only entity willing and able to provide voice and data telecommunications services (including essential public safety services) within the Robbs Creek area during the foreseeable future.

Allband's primary problem remains the \$6.7 million loan that it sought and accepted from the Rural Utilities Service ("RUS") to build its Robbs Creek exchange during the 2003-2004 period when RUS loans, universal service support and other federal and state programs encouraged the provision of service to unserved and underserved rural areas. Allband has made progress during the past three years in controlling its expenses and increasing its revenues, but the high costs and low population density of the Robbs Creek exchange continue to render it impossible for Allband to make the interest and principal payments on its RUS loan and to maintain service to its customers without high-cost support in amounts greater than the Section 54.302 cap.

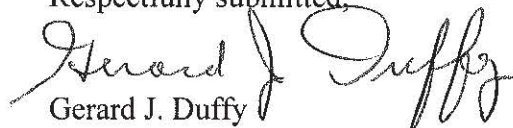
Marlene H. Dortch, Secretary
April 3, 2015
Page 2 of 2

There was considerable questioning during the meeting regarding Allband's relationship with its subsidiary, Allband Multimedia, LLC ("Allband Multimedia"), which is providing high-speed broadband services over a separate network serving areas north and south of the Robbs Creek exchange area that did not previously have such broadband services. Allband will soon be filing a supplement to its pending petition to submit its audited 2014 financial statements, and will endeavor at that time to address what it understands to be the Bureau's inquiries regarding how it allocates costs between the two entities and how it handles transactions between them.

Allband has been open and forthcoming with the Commission in providing all of the financial and operational information relevant to its waiver requests, and has not heretofore sought proprietary and confidential status for any of such information. Allband has agreed that the Bureau staff may contact RUS regarding the pending petition, and has no objection to RUS allowing Bureau staff to review RUS files and records regarding Allband's outstanding loan for the Robbs Creek exchange and/or the Broadband Initiatives Program ("BIP") grant used to build the broadband network operated by Allband Multimedia.

Pursuant to Section 1.1206(b) of the Commission's Rules, this submission is being filed for inclusion in the public record of the referenced proceeding.

Respectfully submitted,


Gerard J. Duffy

Attachment

cc: Suzanne Yelen (via email)
Joseph Sorresso (via email)
Ryan Palmer (via email)

Allband Is Dedicated To Providing Ubiquitous Services In A Previously Unserved Area In Michigan

On 12-3-2003, Allband incorporated and was granted a license by the Michigan Public Service Commission to provide service on 12-2-2004.

Allband obtained RUS funding and began constructing an all fiber, passive optical, telecommunications network that would allow Allband to provide voice and broadband services.

- RUS required a 21 year loan to construct a network to serve customers that were previously without service.
- For this “greenfield” build-out:
 - Plant had to be placed all the way to the subscribers’ premises and therefore fiber to the home was the most efficient technology.
 - The plant investment is relatively new and the subscriber density is low resulting in high costs/line.

Allband’s local exchange consumer rate level is \$19.90 per month for residence and business, well above the Commission’s floor.

Allband - Bureau Waiver Order

1. Allband filed a Waiver on 3-3-2012 of the:
 - \$250/month/line support cap [54.302]
2. Bureau Waiver Order on 7-25-2012:
 - Granted a 3 year waiver of the \$250/month/line cap - ending on 7-1-2015; the waiver allowed support based on the lesser of actual support or 1-1-2012 to 6-30-2012 annualized (par 15).
3. Bureau expected Allband to try to come into compliance with the \$250/month/line cap by cost cutting measures and/or revenue generation (par 14).
4. The Bureau noted in its Order that (a) the management is mindful of its expenses and limited financial resources, (b) salaries and wages are modest (c) expenses are reasonable and (d) because of its low population density, Allband is in no position to increase revenues from customers (par 12).
5. Order indicates that if another waiver is necessary, it should be filed no later than 6 months prior to 7-1-2015 (par 16).

PETITION OF ALLBAND COMMUNICATIONS COOPERATIVE (ALLBAND) FOR FURTHER WAIVER OF PART 54.302

- Pursuant to the Commission's July 25, 2012 Waiver Order, Allband filed a petition with the Commission on December 31, 2014 to grant a further waiver of the Part 54.302 Rule.
- Absent a further waiver, the revenue reductions caused by the implementation of the Part 54.302 rule would irreparably harm Allband by providing insufficient revenues to:
 - Continue to provide voice service to any of its customers
 - Pay the principal and interest on its RUS loan
 - Continue operations as a telecommunications carrier.
- Allband requested the extension of the WCB Waiver from three years (presently to July 1, 2015) to approximately twelve additional years, through the year 2026 when Allband's Rural Utilities Service (RUS) loan will be repaid.

PETITION OF ALLBAND COMMUNICATIONS COOPERATIVE (ALLBAND) FOR FURTHER WAIVER OF PART 54.302 (Continued)

- Allband filed financial and operational information to enable the Wireline Competition Bureau to evaluate whether further relief is appropriate.
 1. 2012 and 2013 financial statements.
 2. Steps taken to improve Allband's financial position.
 - Expense reductions – regulated expenses were reduced by almost 10%
 - Access line penetration – modest gains in spite of bad economy
 - Additional revenue generation – not sufficient to offset USF loss
 - Renegotiation of RUS loan – to date, no indication of changes in terms
 3. Summary of financial impacts:
 - The effect of the Commission's annual \$3000 per-line limit on Allband reduces its Federal USF revenues, effective July 1, 2015, by \$4,221 per-line annually (\$352 per-line per-month)
 - Loss of Support of \$718,000 of annual support eliminates the ability of Allband to repay its loans.
 - Reduces Times Interest Earned Ratio from 1.17 to negative 0.91.
 - Allband would default on its annual loan payment of \$638,147 to RUS (\$323,514 principle and \$344,633 interest)
 - Reduction (\$352 per-line per-month) is too large to be recovered through local rate increases
 4. 2014 financial statements will be filed before the current waiver expires.

Summary of Allband HCL and ICLS Amounts Per FCC Waiver and Uncapped

Annual USF Support Amount YEAR		AMOUNTS PER FCC WAIVER			UNCAPPED			USF CAPPED at \$3000 Per Line
		HCL	ICLS	Total	HCL	ICLS	Total	
2012		\$936,876	\$371,028	\$1,307,904	\$936,885	\$408,242	\$1,345,126	\$489,000
2013		\$935,886	\$363,183	\$1,299,069	\$1,020,261	\$363,183	\$1,383,444	\$522,000
2014		\$933,273	\$371,028	\$1,304,301	\$1,009,077	\$378,783Est	\$1,387,859	\$513,000
2015		\$885,090	\$371,028	\$1,256,118	\$888,632	\$373,273Est	\$1,261,905	\$510,000
2016 (EST)		\$910,388	\$367,762	\$1,278,150	\$910,388	\$367,762Est	\$1,278,150	\$495,000
2016(Eliminate Cap Costs)		\$354,898	\$179,902	\$534,800	\$354,898	\$179,902Est	\$534,800	\$495,000

Annual USF Support Amount Per Line	Lines	AMOUNTS PER FCC WAIVER PER LINE			UNCAPPED PER LINE			USF CAPPED at \$3000 Per Line
		HCL	ICLS	Total	HCL	ICLS	Total	
2012	163	\$5,748	\$2,276	\$8,024	\$5,748	\$2,505	\$8,252	\$3,000
2013	174	\$5,379	\$2,087	\$7,466	\$5,864	\$2,087	\$7,951	\$3,000
2014	171	\$5,458	\$2,170	\$7,627	\$5,901	\$2,215Est	\$8,116	\$3,000
2015	170	\$5,206	\$2,183	\$7,389	\$5,227	\$2,196Est	\$7,423	\$3,000
2016 (EST)	165	\$5,518	\$2,229	\$7,746	\$5,518	\$2,229Est	\$7,746	\$3,000
2016(Eliminate Cap Costs)	165	\$2,151	\$1,090	\$3,241	\$2,151	\$1,090Est	\$3,241	\$3,000

- 2016 Support amounts are expected to fall below FCC allowed amounts ordered pursuant to the FCC Waiver (annualized receipts from 1/1/2012 through 6/30/2012).
- It is impossible for Allband to manage its costs to produce future support levels below the \$3,000 per line cap.
 - To achieve support per line of \$3,000 Allband regulated expense reductions of at least \$4,746 per line or over \$780,000 (\$4,746 times 165) are necessary - represents almost complete elimination of operating expenses, less depreciation
 - Complete elimination of capital costs (depreciation and rate of return) still yields a support amount per line that is over the \$3,000 cap
 - Allband can't add approximately 250 lines (for a total of over 400 lines) required to produce a level of support at the \$3,000 per line cap. (100% penetration = 212 lines)

Other Concerns

- Non-regulated revenue growth will not replace or supplant the need for Universal Service support
- The NACPL freeze impact, recently ordered, will reduce Allband's HCL support. An estimate prepared by NECA shows this impact would be an annual reduction of approximately \$60,000.
- Uncertainty surrounding the future USF budget for ROR carriers:
 - Current rural LEC federal USF budget is approximately \$2.0B
 - Allband may experience adverse impacts due to potential voluntary model based support for ROR carriers.
 - Information recently released by the Bureau shows that Allband's model-based support is significantly less than current support. E.g. Scenario 1.1 results for Allband show the following:

Scenario	Model-Based	Current	Difference
ACAM 1.0.1 -1.1	\$256,224	\$1,305,840	(\$1,049,616)

- Allband, based on the above results, will be precluded from converting to model-based support.
- If a greater portion of the current budget is assigned to "winners" under voluntary model based support, LECs remaining under ROR-based support such as Allband may be harmed.

Summary

- Absent a further waiver, the revenue reductions caused by the implementation of the Part 54.302 rule would irreparably harm Allband by providing insufficient revenues to:
 - Continue to provide voice service to any of its customers
 - Pay the principal and interest on its RUS loan
 - Continue operations as a telecommunications carrier.
- Allband has provided the Bureau information in its 12/31/2014 waiver extension request that demonstrates Allband's efforts to manage expenses, line loss and revenue growth.
- In-spite of these efforts, it is impossible for Allband's regulated telecommunications operations to be sustained without universal service support and waiver of the \$3,000 per line support cap contained in Section 54.302.
- All options, e.g. expense cuts, access line and revenue growth for Allband to reach a level support below the \$3,000 cap are unrealistic.